



QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2007
OF THE CONDITION AND AFFAIRS OF THE

Premier Behavioral Systems of Tennessee, LLC

NAIC Group Code	0000	0000	NAIC Company Code	00000	Employer's ID Number	62-1641638
	(Current Period)	(Prior Period)				
Organized under the Laws of	Tennessee		State of Domicile or Port of Entry	Tennessee		
Country of Domicile	United States					
Licensed as business type:	Life, Accident & Health [] Property/Casualty [] Dental Service Corporation [] Vision Service Corporation [] Other [] Health Maintenance Organization [] Hospital, Medical & Dental Service or Indemnity [] Is HMO, Federally Qualified? Yes [] No []					
Incorporated/Organized	05/15/1996		Commenced Business	07/01/1996		
Statutory Home Office	222 Second Ave. N. Suite 220		Nashville, TN 37201			
	(Street and Number)		(City or Town, State and Zip Code)			
Main Administrative Office	222 Second Ave. N. Suite 220		Nashville, TN 37201		615-313-4463	
	(Street and Number)		(City or Town, State and Zip Code)		(Area Code) (Telephone Number)	
Mail Address	222 Second Ave. N. Suite 220		Nashville, TN 37201			
	(Street and Number or P.O. Box)		(City or Town, State and Zip Code)			
Primary Location of Books and Records	222 Second Ave. N. Suite 220		Nashville, TN 37201		410-953-1643	
	(Street and Number)		(City or Town, State and Zip Code)		(Area Code) (Telephone Number)	
Internet Website Address	N/A					
Statutory Statement Contact	Michael Fotinos		410-953-1643			
	(Name)		(Area Code) (Telephone Number) (Extension)			
	mfotinos@magellanhealth.com		410-953-5205			
	(E-Mail Address)		(Fax Number)			
Policyowner Relations Contact						
	(Street and Number)		(City or Town, State and Zip Code)		(Area Code) (Telephone Number) (Extension)	

OFFICERS

Name	Title	Name	Title
Russell C. Petrella	President	William R. Grimm	Director

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Russell C. Petrella	William R. Grimm	Rene Lerer
---------------------	------------------	------------

State of Connecticut
County of Hartford ss Raymond A. Pelletier

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Russell C. Petrella	William R. Grimm
President	Director

a. Is this an original filing? Yes [X] No []

b. If no,
 1. State the amendment number _____
 2. Date filed _____
 3. Number of pages attached _____

Subscribed and sworn to before me this
13th day of November 2007

RAYMONDE A. PELLETIER
 NOTARY PUBLIC
 MY COMMISSION EXPIRES AUG. 31, 2008

Premier Behavioral Health of TN, LLC.
BHO TennCare Operations Statement of Revenue and Expenses
For the Quarter Ending September 30, 2007
Report 2A

	Current Quarter Total	Year to Date Total
Member Months	737,208	3,285,999
Revenues		
TennCare Capitation	22,386,364	105,375,801
Risk Share Revenue	222,531	(3,667,685)
Investment (Interest)	371,997	1,736,197
Total Revenues	22,980,892	103,444,313
Expenses		
Mental Health & Substance Services		
Inpatient Psychiatric Facility services	5,360,079	23,027,757
Inpatient Substance Abuse Treatment and Detox	303,597	1,376,489
Outpatient Mental Health Services	4,861,525	20,634,913
Outpatient Substance Abuse Treatment and Detox	292,771	1,242,697
Housing/Residential Treatment	2,732,471	10,765,947
Specialized Crisis Services	687,911	3,723,565
Psychiatric Rehab and Support Services	229,480	1,242,140
Case Management	4,310,477	17,907,540
Forensics		
Other Judicial		
Pharmacy		
Lab Services	21,665	107,253
Transportation	713,103	2,931,214
Medical Incentive Pool and Withhold Adjustments		
Occupancy, Depreciation and Amortization	0	0
Other Mental Health and Substance Abuse Services	0	0
PCP and Specialists Services		
Subtotal	19,513,079	82,959,515
Reinsurance Expense Net of Recoveries		
Less:		
Copayments		
Subrogation		
Coordination of Benefits		
Subtotal		
Total Medical and Substance Abuse	19,513,079	82,959,515
Claim Adjustment Expense	223,864	1,053,758
Administration ¹		
Rent	28,468	134,002
Salaries and Wages	1,023,975	4,819,998
Contributions for benefit plans for employees		
Payments to employees under non-funded benefit plans		
Other employee welfare	3,083	14,513
Legal fees and expenses	11,755	55,334
Medical examination fees		
Utilization management		
Certifications and accreditation	88	615
Auditing, actuarial and other consulting services	118,673	583,183
Traveling expenses	37,356	175,839
Marketing and advertising	24,533	115,480
Postage, express, telegraph and telephone	45,699	215,113
Printing and stationary	86,141	444,748
Occupancy, depreciation and amortization	466,765	2,198,803
Rental of equipment	725	3,411
Outsourced services includes EDP, claims, and other services	(823)	(3,874)
Books and periodicals		
Boards, bureaus and association fees	6,115	28,783
Insurance, except on real estate		
Collection and bank service charges	14,289	52,900
Group service and administration fees		
Reimbursements from fiscal intermediaries		
Real estate expenses	544	2,559
Real estate taxes		
Bad Debt Expense		
Taxes, licenses and fees:		
State and local insurance taxes		
State premium taxes	471,839	2,053,824
Insurance department licenses and fees		
Payroll taxes		
Other (excluding federal income and real estate taxes)	4,427	20,838
Investment expenses not included elsewhere		
Total Administrative Expenses	2,343,652	10,916,068
Total Expenses	22,080,594	94,929,341
Net Income (Loss)	900,297	8,514,972

¹ The ASO fee Administration expense breakout is assumed based upon current sub-contractor's expenses.

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Premier Behavioral Systems of Tennessee, LLC

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	3,019,137		3,019,137	3,307,538
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks			0	0
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$29,547,425), cash equivalents (\$0) and short-term investments (\$0)	29,547,425		29,547,425	47,106,654
6. Contract loans, (including \$ premium notes)			0	0
7. Other invested assets	0	0	0	0
8. Receivables for securities			0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	32,566,562	0	32,566,562	50,414,192
11. Title plants less \$charged off (for Title insurers only)			0	0
12. Investment income due and accrued	24,792		24,792	49,268
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	1,230,340		1,230,340	3,540,701
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)			0	0
13.3 Accrued retrospective premiums			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers			0	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset			0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software			0	0
19. Furniture and equipment, including health care delivery assets (\$)			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	1,557,453		1,557,453	0
22. Health care (\$75,000) and other amounts receivable	75,000		75,000	0
23. Aggregate write-ins for other than invested assets	0	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	35,454,147	0	35,454,147	54,004,161
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	35,454,147	0	35,454,147	54,004,161
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Risk Share Receivable			0	0
2302. ASO Receivable			0	0
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	0	0	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)	9,097,616		9,097,616	15,314,598
2. Accrued medical incentive pool and bonus amounts			0	0
3. Unpaid claims adjustment expenses			0	0
4. Aggregate health policy reserves			0	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserve			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance			0	0
9. General expenses due or accrued	165,931		165,931	87,467
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittances and items not allocated			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	492,199		492,199	288,346
16. Payable for securities			0	0
17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans			0	0
21. Aggregate write-ins for other liabilities (including \$ current)	13,689,881	0	13,689,881	10,820,202
22. Total liabilities (Lines 1 to 21)	23,445,627	0	23,445,627	26,510,613
23. Aggregate write-ins for special surplus funds	xxx	xxx	0	0
24. Common capital stock	xxx	xxx		0
25. Preferred capital stock	xxx	xxx		0
26. Gross paid in and contributed surplus	xxx	xxx	23,245,279	23,245,279
27. Surplus notes	xxx	xxx		0
28. Aggregate write-ins for other than special surplus funds	xxx	xxx	0	0
29. Unassigned funds (surplus)	xxx	xxx	(11,236,759)	4,248,269
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24)				
\$)	xxx	xxx		0
30.2 shares preferred (value included in Line 25)				
\$)	xxx	xxx		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	xxx	xxx	12,008,520	27,493,548
32. Total liabilities, capital and surplus (Lines 22 and 31)	xxx	xxx	35,454,147	54,004,161
DETAILS OF WRITE-INS				
2101. Premium Tax Payable	246,493		246,493	1,082,553
2102. Risk Share Payable	13,233,172		13,233,172	9,565,486
2103. State Check Liability	210,216		210,216	172,163
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	13,689,881	0	13,689,881	10,820,202
2301.	xxx	xxx		
2302.	xxx	xxx		
2303.	xxx	xxx		
2398. Summary of remaining write-ins for Line 23 from overflow page	xxx	xxx	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	xxx	xxx	0	0
2801.	xxx	xxx		
2802.	xxx	xxx		
2803.	xxx	xxx		
2898. Summary of remaining write-ins for Line 28 from overflow page	xxx	xxx	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above)	xxx	xxx	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	3,285,999	5,444,222
2. Net premium income (including \$ non-health premium income).....	XXX	105,375,801	168,423,535
3. Change in unearned premium reserves and reserve for rate credits.....	XXX		0
4. Fee-for-service (net of \$ medical expenses).....	XXX		0
5. Risk revenue.....	XXX		0
6. Aggregate write-ins for other health care related revenues.....	XXX	(3,667,685)	(6,155,223)
7. Aggregate write-ins for other non-health revenues.....	XXX	0	0
8. Total revenues (Lines 2 to 7).....	XXX	101,708,116	162,268,312
Hospital and Medical:			
9. Hospital/medical benefits.....		40,076,718	65,649,382
10. Other professional services.....		42,882,797	66,058,492
11. Outside referrals.....			0
12. Emergency room and out-of-area.....			0
13. Prescription drugs.....			0
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....			0
16. Subtotal (Lines 9 to 15).....	0	82,959,515	131,707,874
Less:			
17. Net reinsurance recoveries.....			0
18. Total hospital and medical (Lines 16 minus 17).....	0	82,959,515	131,707,874
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$ cost containment expenses.....		1,053,758	1,684,235
21. General administrative expenses.....		10,916,068	17,566,162
22. Increase in reserves for life and accident and health contracts including \$ increase in reserves for life only).....			0
23. Total underwriting deductions (Lines 18 through 22).....	0	94,929,341	150,958,271
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX	6,778,775	11,310,041
25. Net investment income earned.....		1,736,197	1,482,070
26. Net realized capital gains (losses) less capital gains tax of \$.....			0
27. Net investment gains (losses) (Lines 25 plus 26).....	0	1,736,197	1,482,070
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)].....			0
29. Aggregate write-ins for other income or expenses.....	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	8,514,972	12,792,111
31. Federal and foreign income taxes incurred.....	XXX		0
32. Net income (loss) (Lines 30 minus 31).....	XXX	8,514,972	12,792,111
DETAILS OF WRITE-INS			
0601. Risk Share Revenue.....	XXX	(3,667,685)	(6,155,223)
0602. ASO Revenue.....	XXX	0	0
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	XXX	(3,667,685)	(6,155,223)
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page.....	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above).....	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	0	0
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year
CAPITAL AND SURPLUS ACCOUNT:			
33. Capital and surplus prior reporting year.....	27,493,548	11,067,068	11,067,068
34. Net income or (loss) from Line 32	8,514,972	12,792,111	18,726,480
35. Change in valuation basis of aggregate policy and claim reserves		0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$		0	0
37. Change in net unrealized foreign exchange capital gain or (loss)		0	0
38. Change in net deferred income tax		0	0
39. Change in nonadmitted assets		(521,656)	0
40. Change in unauthorized reinsurance	0	0	0
41. Change in treasury stock		0	0
42. Change in surplus notes	0	0	0
43. Cumulative effect of changes in accounting principles		0	0
44. Capital Changes:			
44.1 Paid in		0	0
44.2 Transferred from surplus (Stock Dividend)		0	0
44.3 Transferred to surplus		0	0
45. Surplus adjustments:			
45.1 Paid in		0	0
45.2 Transferred to capital (Stock Dividend)	0	0	0
45.3 Transferred from capital		0	0
46. Dividends to stockholders	(24,000,000)	(2,300,000)	(2,300,000)
47. Aggregate write-ins for gains or (losses) in surplus	0	0	0
48. Net change in capital & surplus (Lines 34 to 47)	(15,485,028)	9,970,455	16,426,480
49. Capital and surplus end of reporting period (Line 33 plus 48)	12,008,520	21,037,523	27,493,548
DETAILS OF WRITE-INS			
4701.			
4702.			
4703.			
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	0	0

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance.....	107,686,163	230,439,777
2. Net investment income.....	1,749,074	2,021,347
3. Miscellaneous income.....	0	0
4. Total (Lines 1 to 3).....	109,435,237	232,461,124
5. Benefits and loss related payments.....	90,230,256	188,324,407
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	13,064,210	24,450,292
8. Dividends paid to policyholders.....	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses).....	0	0
10. Total (Lines 5 through 9).....	103,294,466	212,774,699
11. Net cash from operations (Line 4 minus Line 10).....	6,140,771	19,686,425
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	300,000	3,020,000
12.2 Stocks.....	0	0
12.3 Mortgage loans.....	0	0
12.4 Real estate.....	0	0
12.5 Other invested assets.....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	0	0
12.7 Miscellaneous proceeds.....	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	300,000	3,020,000
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	0	2,993,526
13.2 Stocks.....	0	0
13.3 Mortgage loans.....	0	0
13.4 Real estate.....	0	0
13.5 Other invested assets.....	0	0
13.6 Miscellaneous applications.....	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6).....	0	2,993,526
14. Net increase (or decrease) in contract loans and premium notes.....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	300,000	26,474
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds.....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....	0	0
16.5 Dividends to stockholders.....	24,000,000	2,300,000
16.6 Other cash provided (applied).....	0	0
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6).....	(24,000,000)	(2,300,000)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	(17,559,229)	17,412,899
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	47,106,654	29,693,755
19.2 End of period (Line 18 plus Line 19.1).....	29,547,425	47,106,654

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001. Conversion of debt to equity.....	0	0
20.0002. Assets acquired by assuming directly related liabilities.....	0	0
20.0003. Exchange of non-cash assets or liabilities.....	0	0

STATEMENT AS OF SEPTEMBER 30, 2007 OF THE Premier Behavioral Systems of Tennessee, LLC

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION											
	1 Total	2 Comprehensive (Hospital & Medical)			4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Other
		Individual	Group	3							
Total Members at end of:											
1. Prior Year	606,786	0	0	0	0	0	0	0	0	606,786	0
2. First Quarter	604,229	0	0	0	0	0	0	0	0	604,229	0
3. Second Quarter	245,748	0	0	0	0	0	0	0	0	245,748	0
4. Third Quarter	245,749									245,749	
5. Current Year	0										
6. Current Year Member Months	3,285,999									3,285,999	
Total Member Ambulatory Encounters for Period:											
7. Physician	84,409									84,409	
8. Non-Physician	469,837									469,837	
9. Total	554,246	0	0	0	0	0	0	0	0	554,246	0
10. Hospital Patient Days Incurred	72,856									72,856	
11. Number of Inpatient Admissions	5,664									5,664	
12. Health Premiums Written	105,375,801									105,375,801	
13. Life Premiums Direct	0										
14. Property/Casualty Premiums Written	0										
15. Health Premiums Earned	105,375,801									105,375,801	
16. Property/Casualty Premiums Earned	0										
17. Amount Paid for Provision of Health Care Services	89,176,498									89,176,498	
18. Amount Incurred for Provision of Health Care Services	82,959,515									82,959,515	

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$

UNDERWRITING AND INVESTMENT EXHIBIT **ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE**

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability Dec. 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid Dec. 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital & medical)					0	0
2. Medicare Supplement					0	0
3. Dental Only					0	0
4. Vision Only					0	0
5. Federal Employees Health Benefits Plan					0	0
6. Title XVIII - Medicare					0	0
7. Title XIX - Medicaid	15,167,490	74,009,008	1,169,569	7,928,047	16,337,059	15,314,598
8. Other Health					0	0
9. Health Subtotal (Lines 1 to 8)	15,167,490	74,009,008	1,169,569	7,928,047	16,337,059	15,314,598
10. Healthcare receivables (a)					0	0
11. Other non-health					0	0
12. Medical incentive pools and bonus amounts					0	0
13. Totals	15,167,490	74,009,008	1,169,569	7,928,047	16,337,059	15,314,598

(a) Excludes \$ loans and advances to providers not yet expensed.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

- A. Accounting Practices – The accompanying financial statements of Premier Behavioral Systems of Tennessee, LLC (the “Company” or “Premier”) have been prepared in conformity with the National Association of Insurance Commissioners (NAIC) Annual Statement Instructions, the NAIC Accounting Practices and Procedures Manual and the accounting practices prescribed or permitted by the State of Tennessee Department of Commerce and Insurance, which represents a comprehensive basis of accounting other than generally accepted accounting principles (GAAP).
- B. Use of Estimates in the Preparation of the Financial Statements – No significant change.
- C. Accounting Policy – No significant change.

Note 2 - Accounting Changes and Corrections of Errors

- A. Material changes in accounting principles and/or correction of errors - No significant change.

Note 3 - Business Combinations and Goodwill

- A. Statutory Purchase Method - No significant change.
- B. Statutory Merger - No significant change.
- C. Assumption Reinsurance - No significant change.
- D. Impairment Loss - No significant change.

Note 4 - Discontinued Operations

No significant change.

Note 5 - Investments

- A. Mortgage Loan, including Mezzanine Real Estate Loans - No significant change.
- B. Debt Restructuring – No significant change.
- C. Reverse Mortgages – No significant change.
- D. Loan Backed Securities – No significant change.
- E. Repurchase Agreements – No significant change.
- F. Real Estate – No significant change.

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

- A. Investments in Joint Ventures, Partnerships, and Limited Liability Companies that exceed 10% of the admitted assets of the insurer - No significant change.
- B. Impaired Investments in Joint Ventures, Partnerships, and Limited Liability Companies – No significant change.

Note 7 - Investment Income

- A. Bases, by category of investment income, for excluding (nonadmitting) any investment income due and accrued - No significant change.
- B. The total amount excluded was \$0.

Note 8 - Derivative Instruments

- A. Market risk, credit risk and cash requirements of the derivative - No significant change.
- B. Objectives for using derivatives – No significant change.
- C. Accounting policies for recognizing and measuring derivatives used – No significant change.
- D. Net gain or loss recognized in unrealized gains and losses during the reporting period representing the component of the derivative instruments gain of loss – No significant change.
- E. Net gain or loss recognized in unrealized gains and losses during the reporting period resulting from derivatives that no longer qualify for hedge accounting – No significant change.
- F. Derivatives accounted for as cash flow hedges of a forecasted transaction – No significant change.

Note 9 - Income Taxes

- A. Components of the net deferred tax asset or deferred tax liability – No significant change.
- B. Deferred tax liabilities that are not recognized - No significant change.
- C. Components of current income taxes incurred – No significant change.
- D. Significant book to tax adjustments - No significant change.
- E.
 - 1. Amounts, origination dates and expiration dates of operating loss and tax credit carry forward amounts available for tax purposes – No significant change.
 - 2. Amount of federal income taxes incurred in current year that are available for recoupment in the even of future net loss – No significant change.

NOTES TO FINANCIAL STATEMENTS

F. Consolidated federal income tax – No significant change.

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

- A. Nature of relationship - On April 11, 2006, Premier Holdings, Inc, purchased Columbia Behavioral Health, LLC's fifty percent ownership interest in the Company. As of April 1, 2006, Premier Holdings, ultimately a fully owed subsidiary of Magellan Health Services, has full ownership interest in the Company. The transaction was approved by the Department of Commerce and Insurance.
- B. Description of transactions – No significant change.
- C. Dollar amount of transactions – The Company paid \$9,483,822 in management fees to the parent for the nine months ended September 30, 2007.
- D. Amounts due to/from related parties – Balances as of September 30, 2007
 - a. Due from TBH – \$1,438,967
 - b. Due from Advocare – \$118,486
 - c. Due to Magellan – (\$492,199)
- E. Guarantees or undertakings for benefit of affiliate – No significant change
- F. Material management or service contracts and cost sharing arrangements with related parties – No significant change.
- G. Common ownership or control – No significant change.
- H. No significant change
- I. Investment in SCA that exceeds 10% - No significant change.
- J. Investments in impaired SCA entities – No significant change.
- K. Investment in a foreign insurance subsidiary – No significant change.

Note 11 - Debt

No significant change.

Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

- A. Defined Benefit Plan - No significant change.
- B. Defined Contribution Plans – No significant change.
- C. Multiemployer Plan – No significant change.
- D. Consolidated/Holding Company plans – No significant change
- E. Post-employment Benefits and Compensated Absences – No significant change.

Note 13 - Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

(1) – (10) No significant change.

Note 14 - Contingencies

- A. Contingent Commitments - No significant change.
- B. Assessments – No significant change.
- C. Gain contingencies – No significant change.
- D. All Other contingencies – No significant change.

Note 15 - Leases

- A. Lessee Operating Lease - No significant change.
- B. Lessor Leases and Leveraged Leases – No significant change.

Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

No significant change.

Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

- A. Transfers of Receivables reported as Sales - No significant change.
- B. Transfer and Servicing of Financial Assets – No significant change
- C. Wash Sales – The Company has not engaged in any Wash Sales during the current calendar year.

Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

- A. ASO Plans - No significant change.
- B. ASC Plans – No significant change.
- C. Medicare of Similarly Structured Cost Based Reimbursement contract – No significant change.

NOTES TO FINANCIAL STATEMENTS

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

No significant change.

Note 20 - September 11 Events

No significant change.

Note 21 - Other Items

- A. Extraordinary items - No significant change.
- B. Troubled Debt Restructuring: Debtor - No significant change.
- C. Other Disclosures –
 - 1. On April 1, 2007, primarily all of the Company's membership in the Middle Grand Region has been reassigned to managed care companies in accordance with the contract awards by TennCare pursuant to its Request for Proposals for the management of the integrated delivery of behavioral and physical medical care to these enrollees. The Company will continue to manage approximately 18,000 TennCare Select, DCS Custody and SSI Children in the Middle Grand region under the terms of the existing contract. Additionally, the Company will continue to manage approximately 6,000 Standard Adults until TennCare disenrolls them as a result of the eligibility changes that were enacted in late 2005.
 - 2. On June 26, 2007, TDCI approved a Form D Prior Notice of Transaction filing for the distribution of equity in the amount of \$24,000,000. The distribution of equity to the parent company was completed on July 3, 2007
- D. Uncollectible balance for assets covered under SSAP No. 6, SSAP No. 47, and SSAP No. 66 – No significant change
- E. Business Interruption Insurance Recoveries – No significant change.
- F. Additional disclosures for Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Plans – No significant change.

Note 22 - Events Subsequent

None

Note 23 - Reinsurance

- A. Ceded Reinsurance Report - No significant change.
- B. Uncollectible Reinsurance – No significant change
- C. Commutation of Ceded Reinsurance – No significant change.

Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. Method used by the reporting entity to estimate accrued retrospective premium adjustments - No significant change.
- B. Amount of net premiums that are subject to retrospective rating features – No significant change.

Note 25 - Change in Incurred Losses and Loss Adjustment Expenses

No significant change.

Note 26 - Intercompany Pooling Arrangements

No significant change.

Note 27 - Structured Settlements

No significant change.

Note 28 - Health Care Receivables

- A. Pharmaceutical Rebate Receivables - No significant change.
- B. Risk Sharing Receivables – No significant change.

Note 29 - Participating Policies

- A. Relative percentage of participating insurance - No significant change.
- B. Method of accounting for policyholder dividends – No significant change
- C. Amount of dividends – No significant change.
- D. Amount of any additional income allocated to participating policyholders – No significant change.

NOTES TO FINANCIAL STATEMENTS

Note 30 - Premium Deficiency Reserves

No significant change.

Note 31 - Anticipated Salvage and Subrogation

No significant change.

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted.)

**PART 1 - COMMON INTERROGATORIES
GENERAL**

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes ☐ No ☒
- 1.2 If yes, has the report been filed with the domiciliary state? Yes ☐ No ☐
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes ☐ No ☒
- 2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes ☐ No ☒
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes ☐ No ☒
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes ☐ No ☒ NA ☐
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 06/30/2006
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 06/30/2006
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 04/20/2007
- 6.4 By what department or departments?
Tennessee Department of Commerce and Insurance.....
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes ☐ No ☒
- 7.2 If yes, give full information:
.....
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes ☐ No ☒
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
.....
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes ☐ No ☒
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

GENERAL INTERROGATORIES

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?..... Yes ☒ No ☐
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.
- 9.11 If the response to 9.1 is No, please explain:
- 9.2 Has the code of ethics for senior managers been amended?..... Yes ☐ No ☒
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers?..... Yes ☐ No ☒
- 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?..... Yes ☒ No ☐
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:..... \$ 1,557,453

INVESTMENT

- 11.1 Has there been any change in the reporting entity's own preferred or common stock?..... Yes ☐ No ☒
- 11.2 If yes, explain:
- 12.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)..... Yes ☐ No ☒
- 12.2 If yes, give full and complete information relating thereto:
13. Amount of real estate and mortgages held in other invested assets in Schedule BA:..... \$ 0
14. Amount of real estate and mortgages held in short-term investments:..... \$ 0
- 15.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?..... Yes ☐ No ☒
- 15.2 If yes, please complete the following:
- | | 1
Prior Year-End
Book/Adjusted
Carrying Value | 2
Current Quarter
Book/Adjusted
Carrying Value |
|-------------------------------------------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------|
| 15.21 Bonds | \$ | \$ |
| 15.22 Preferred Stock | \$ | \$ |
| 15.23 Common Stock | \$ | \$ |
| 15.24 Short-Term Investments | \$ | \$ |
| 15.25 Mortgage Loans on Real Estate | \$ | \$ |
| 15.26 All Other | \$ | \$ |
| 15.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal
Lines 15.21 to 15.26)..... | \$ 0 | \$ 0 |
| 15.28 Total Investment in Parent included in Lines 15.21 to 15.26 above | \$ | \$ |
- 16.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?..... Yes ☐ No ☒
- 16.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?..... Yes ☐ No ☐
If no, attach a description with this statement.

GENERAL INTERROGATORIES

17. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes ☐ No ☒

- 17.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address

- 17.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

- 17.3 Have there been any changes, including name changes in the custodian(s) identified in 17.1 during the current quarter?

Yes ☐ No ☐

- 17.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

- 17.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address

- 18.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed?

Yes ☒ No ☐

- 18.2 If no, list exceptions:

.....

SCHEDULE A - VERIFICATION

Real Estate		
	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Increase (decrease) by adjustment	0	0
3. Cost of acquired	0	0
4. Cost of additions to and permanent improvements	0	0
5. Total profit (loss) on sales	0	0
6. Increase (decrease) by foreign exchange adjustment	0	0
7. Amount received on sales	0	0
8. Book/adjusted carrying value at end of current period	0	0
9. Total valuation allowance	0	0
10. Subtotal (Lines 8 plus 9)	0	0
11. Total nonadmitted amounts	0	0
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)	0	0

SCHEDULE B – VERIFICATION

Mortgage Loans		
	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year	0	0
2. Amount loaned during period:		
2.1. Actual cost at time of acquisitions	0	0
2.2. Additional investment made after acquisitions	0	0
3. Accrual of discount and mortgage interest points and commitment fees	0	0
4. Increase (decrease) by adjustment	0	0
5. Total profit (loss) on sale	0	0
6. Amounts paid on account or in full during the period	0	0
7. Amortization of premium	0	0
8. Increase (decrease) by foreign exchange adjustment	0	0
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period	0	0
10. Total valuation allowance	0	0
11. Subtotal (Lines 9 plus 10)	0	0
12. Total nonadmitted amounts	0	0
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)	0	0

SCHEDULE BA – VERIFICATION

Other Invested Assets		
	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year	0	0
2. Cost of acquisitions during period:		
2.1. Actual cost at time of acquisitions	0	0
2.2. Additional investment made after acquisitions	0	0
3. Accrual of discount	0	0
4. Increase (decrease) by adjustment	0	0
5. Total profit (loss) on sale	0	0
6. Amounts paid on account or in full during the period	0	0
7. Amortization of premium	0	0
8. Increase (decrease) by foreign exchange adjustment	0	0
9. Book/adjusted carrying value of long-term invested assets at end of current period	0	0
10. Total valuation allowance	0	0
11. Subtotal (Lines 9 plus 10)	0	0
12. Total nonadmitted amounts	0	0
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)	0	0

SCHEDULE D – VERIFICATION

Bonds and Stocks		
	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	3,307,538	3,315,783
2. Cost of bonds and stocks acquired		2,993,526
3. Accrual of discount	11,599	18,295
4. Increase (decrease) by adjustment	0	0
5. Increase (decrease) by foreign exchange adjustment	0	0
6. Total profit (loss) on disposal	0	0
7. Consideration for bonds and stocks disposed of	300,000	3,020,000
8. Amortization of premium		66
9. Book/adjusted carrying value, current period	3,019,137	3,307,538
10. Total valuation allowance	0	0
11. Subtotal (Lines 9 plus 10)	3,019,137	3,307,538
12. Total nonadmitted amounts	0	0
13. Statement value	3,019,137	3,307,538

SCHEDULE D - PART 1BShowing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1	3,015,228			3,909	3,011,362	3,015,228	3,019,137	3,307,538
2. Class 2	0			0	0	0	0	0
3. Class 3	0			0	0	0	0	0
4. Class 4	0			0	0	0	0	0
5. Class 5	0			0	0	0	0	0
6. Class 6	0			0	0	0	0	0
7. Total Bonds	3,015,228	0	0	3,909	3,011,362	3,015,228	3,019,137	3,307,538
PREFERRED STOCK								
8. Class 1	0			0	0	0	0	0
9. Class 2	0			0	0	0	0	0
10. Class 3	0			0	0	0	0	0
11. Class 4	0			0	0	0	0	0
12. Class 5	0			0	0	0	0	0
13. Class 6	0			0	0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock	3,015,228	0	0	3,909	3,011,362	3,015,228	3,019,137	3,307,538

Schedule DA - Part 1

NONE

Schedule DA - Part 2

NONE

Schedule DB - Part F - Section 1

NONE

Schedule DB - Part F - Section 2

NONE

Schedule S

NONE

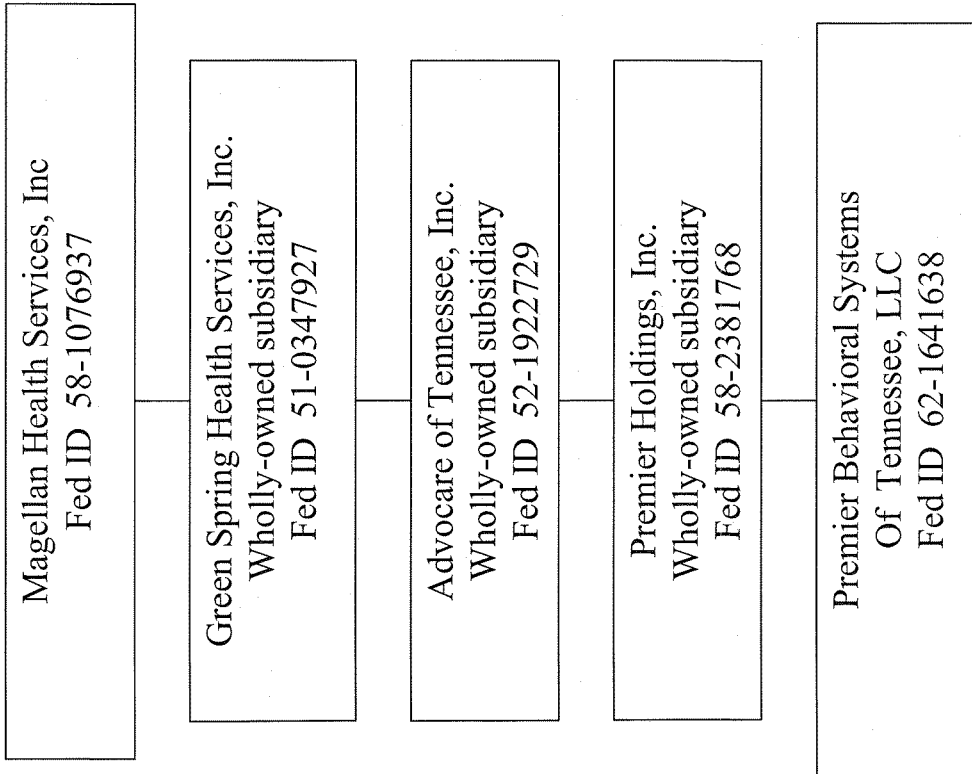
SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

States, Etc.	1 Is Insurer Licensed (Yes or No)	Direct Business Only							
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefit Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/ Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts
1. Alabama	AL	No						0	
2. Alaska	AK	No						0	
3. Arizona	AZ	No						0	
4. Arkansas	AR	No						0	
5. California	CA	No						0	
6. Colorado	CO	No						0	
7. Connecticut	CT	No						0	
8. Delaware	DE	No						0	
9. District of Columbia	DC	No						0	
10. Florida	FL	No						0	
11. Georgia	GA	No						0	
12. Hawaii	HI	No						0	
13. Idaho	ID	No						0	
14. Illinois	IL	No						0	
15. Indiana	IN	No						0	
16. Iowa	IA	No						0	
17. Kansas	KS	No						0	
18. Kentucky	KY	No						0	
19. Louisiana	LA	No						0	
20. Maine	ME	No						0	
21. Maryland	MD	No						0	
22. Massachusetts	MA	No						0	
23. Michigan	MI	No						0	
24. Minnesota	MN	No						0	
25. Mississippi	MS	No						0	
26. Missouri	MO	No						0	
27. Montana	MT	No						0	
28. Nebraska	NE	No						0	
29. Nevada	NV	No						0	
30. New Hampshire	NH	No						0	
31. New Jersey	NJ	No						0	
32. New Mexico	NM	No						0	
33. New York	NY	No						0	
34. North Carolina	NC	No						0	
35. North Dakota	ND	No						0	
36. Ohio	OH	No						0	
37. Oklahoma	OK	No						0	
38. Oregon	OR	No						0	
39. Pennsylvania	PA	No						0	
40. Rhode Island	RI	No						0	
41. South Carolina	SC	No						0	
42. South Dakota	SD	No						0	
43. Tennessee	TN	Yes		105,375,801				105,375,801	
44. Texas	TX	No						0	
45. Utah	UT	No						0	
46. Vermont	VT	No						0	
47. Virginia	VA	No						0	
48. Washington	WA	No						0	
49. West Virginia	WV	No						0	
50. Wisconsin	WI	No						0	
51. Wyoming	WY	No						0	
52. American Samoa	AS	No						0	
53. Guam	GU	No						0	
54. Puerto Rico	PR	No						0	
55. U.S. Virgin Islands	VI	No						0	
56. Northern Mariana Islands	MP							0	
57. Canada	CN							0	
58. Aggregate Other Alien	OT	XXX	0	0	0	0	0	0	0
59. Subtotal		XXX	0	0	105,375,801	0	0	105,375,801	0
60. Reporting entity contributions for Employee Benefit Plans	XXX							0	
61. Total (Direct Business)	(a) 1	0	0	105,375,801	0	0	0	105,375,801	0
DETAILS OF WRITE-INS									
5801.	XXX								
5802.	XXX								
5803.	XXX								
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX	0	0	0	0	0	0	0	0

(a) Insert the number of yes responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplemental is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

RESPONSE

1. Will the Medicare Part D Coverage Statement be filed with the state of domicile and the NAIC with this statement?

NO

Explanation:

1.

Bar Code:

1.



OVERFLOW PAGE FOR WRITE-INS

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 1

NONE

Schedule B - Part 2

NONE

Schedule BA - Part 1

NONE

Schedule BA - Part 2

NONE

Schedule D - Part 3

NONE

Schedule D - Part 4

NONE

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

[illegible]

Statement as of September 30, 2007 of the Premier Behavioral Systems of TN, LLC

Accident and Health Premiums Due and Unpaid

Individually list all debtors with account balances the greater of 10% of gross Premiums Receivables or \$5,000

Name of Debtor	1 1-30 Days	2 31-60 Days	3 61-90 Days	4 Over 90 Days	5 Nonadmitted	6 Admitted
INDIVIDUALLY LIST ASSETS						
State of Tennessee	-	801,119	32,564	29,543	367,114	1,230,340
Subtotal- Individually Listed Receivables 0199999	-	801,119	32,564	29,543	367,114	1,230,340
Subtotal- Receivables not Individually Listed						
Subtotal- Gross Premium Receivable 0399999	-	801,119	32,564	29,543	367,114	1,230,340
Less- Allowance for Doubtful Accounts 0499999						
Total Premiums Receivable (Page 2, Line 12.1) 0599999	-	801,119	32,564	29,543	367,114	1,230,340

Statement as of September 30, 2007 of the Premier Behavioral Systems of TN, LLC

HEALTH CARE RECEIVABLES

Individually list all debtors with account balances greater of 10% of gross Health Care Receivables of \$5,000.

Name of Debtor	1 1-30 Days	2 31-60 Days	3 61-90 Days	4 Over 90 Days	5 Nonadmitted	6 Admitted
Midtown Mental Health Center	75,000	-	-	-	-	75,000
01999999 Individually Listed Receivables	75,000	-	-	-	-	75,000
02999999 Receivables Not Individually Listed						
03999999 Gross Health Care Receivable	75,000	-	-	-	-	75,000
04999999 Less Allowance for Doubtful Accounts						
05999999 Health Care Receivables (Page 2, Line 21)				-	-	75,000

Statement as of September 30, 2007 of the Premier Behavioral Systems of TN, LLC

Amounts due from Parent, Subsidiaries and Affiliates

Name of Debtor	1 1-30 Days	2 31-60 Days	3 61-90 Days	4 Over 90 Days	5 Nonadmitted	Admitted		7 Non-Current
						6 Current		
Tennessee Behavioral Health AdvoCare of Tennessee	447,540 82,571	768,516 35,915	222,911	-	-	1,438,967 118,486		-
0199999 Gross Amounts Due from Affiliates	530,111	804,431	-	-	-	1,557,453		-
0399999 Amounts Due from Affiliates	530,111	804,431	-	-	-	1,557,453		-

Statement as of September 30, 2007 of the Premier Behavioral Systems of TN, LLC

Amounts due to Parent, Subsidiaries and Affiliates

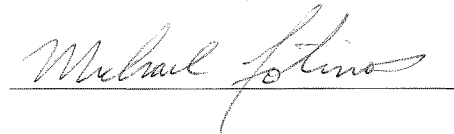
Name of Creditor	1 Description	2 Amount	2 Current	4 Non-Current
Magellan Health Services	Management Fees and Accounts Payable	492,199	492,199	-
0199999 Gross Amounts Due to Affiliates		492,199	492,199	-
0399999 Amounts Due to Affiliates	-	492,199	492,199	-

PREMIER BEHAVIORAL SYSTEMS OF TENNESSEE, LLC.

STATEMENT OF OPINION ON
ACCURACY AND COMPLETENESS OF RECORDS
September 30, 2007

I, Michael D. Fotinos, of Magellan Health Services hereby affirm that the records, listings, summaries of policies in force as of September 30, 2007, and other relevant data, prepared for and submitted to Ernst & Young, LLP, were prepared under my direction and, to the best of my knowledge and belief, are accurate and complete. I hereby affirm that the claims incurral dates, claims paid dates, and contract totals are, to the best of my knowledge and belief, accurately stated on the aforementioned records, listing, summaries, and other relevant data.

I further affirm that, to the best of my knowledge and belief, Premier Behavioral Systems of Tennessee, LLC. has no obligation or commitments with respect to which actuarial reserves are required or appropriate other than those to which data in the aforementioned records, listings, summaries, and other relevant data relate.

A handwritten signature in cursive script, reading "Michael Fotinos", is written over a horizontal line.

Michael D. Fotinos
Finance Director, Public Sector
Magellan Health Services
Columbia, Maryland
November 29, 2007

STATEMENT OF ACTUARIAL OPINION

November 27, 2007

Board of Directors
Premier Behavioral Systems, LLC

I, Michael J. Cellini, am a member of the American Academy of Actuaries ("the Academy"), and a Senior Manager and Consulting Actuary with the firm of Ernst & Young LLP. I have been retained by Premier Behavioral Systems, LLC, ("the Company") to issue this opinion. I meet the Academy qualification standards for issuing this opinion, and I am familiar with the valuation requirements applicable to the Company.

I have reviewed the actuarial assumptions and actuarial methods used in determining the reserves and related actuarial items listed below and as shown in the annual financial statement of the Company, as prepared by the management of the Company for filing with state regulatory officials, as of September 30, 2007. My responsibility is to express an opinion on these reserves and related actuarial items based on my review. The actuarial methods, considerations and analyses used in forming my opinion conform to the appropriate Actuarial Standards of Practice and Actuarial Compliance Guidelines as promulgated by the Actuarial Standards Board, and form the basis of this statement of opinion.

Financial
Statement
Reference
Item

Page-Line

Amount

Claims Unpaid

3-1

\$9,097,616

The reserves and related actuarial items listed above represent the estimates made by management of the Company for all unpaid claims as of September 30, 2007. Considerable uncertainty and variability are inherent in such estimates, and, accordingly, the subsequent development of the unpaid claims liability may not conform to the assumptions used in the determination of the unpaid claims liability and therefore may vary from the amounts in the foregoing table.

I have relied on listings and summaries of claims and other relevant data, and upon management's representations regarding the collectibility of reinsurance recoverable amounts, as expressed in the attached statement. I have relied upon Mr. Michael D.

Fotinos, Finance Director, for the accuracy of the data, as expressed in the attached statement.

My review included the identification and evaluation of the effect on the foregoing reserves of capitated risk-sharing contracts with service providers; however, my review of such capitated risk-sharing contracts did not include an assessment of the financial condition of the service providers. As such, the following opinion rests on the assumption that such service providers will fulfill their obligations under their respective contracts with the Company.

In other respects, my examination included such review of the actuarial assumptions and actuarial methods, including comparing prior years' estimates of unpaid claims liabilities to their subsequent development and such other tests of the actuarial calculations, as I considered necessary.

In my opinion, the reserves and related actuarial items identified above:

- (a) Are computed in accordance with presently accepted actuarial standards consistently applied, and are fairly stated in accordance with sound actuarial principles, except that consideration of the adequacy of the Company's reserves and related actuarial items in conjunction with the assets which support them has not been performed;
- (b) Are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the financial statement was prepared, and provide for all reasonably anticipated unpaid claims under the contracts;
- (c) Meet the requirements of the insurance laws and regulations of the State of Tennessee;
- (d) Are computed on the basis of assumptions consistent with those used in computing the corresponding items in the Annual Statement of the preceding year, with any exceptions noted below;
- (e) Include provision for all actuarial reserves and related actuarial items which ought to be established; and,
- (f) Make good and sufficient provision for all unpaid claims and other actuarial liabilities of the Company under the terms of its contracts and agreements, by which I mean that the estimated liabilities is an appropriate measure of reasonably anticipated payments on incurred claims under potentially moderately adverse development, although, consistent with the scope of my review, the adequacy of the Company's reserves and related actuarial items in conjunction with the assets which support them has not been considered,

My review did not include asset adequacy analysis, as such analysis is not in the scope of my assignment. I have not reviewed any of the Company's assets and I have not formed any opinion as to their validity or value. My opinion rests on the assumption that the Company's September 30, 2007 statutory-basis unpaid claims

liability is funded by valid assets that have suitably scheduled maturities and/or adequate liquidity to meet future cash flow requirements.

As part of my review, I conducted analysis consistent with Section 3.6, "Follow-Up Studies", contained in ASOP Number 5, "Incurred Health and Disability Claims", adopted by the Actuarial Standards Board in December 2000.

My review relates only to those reserves and related actuarial items identified herein, and I do not express an opinion on the Company's financial statements taken as a whole.

This opinion has been prepared solely for the Board and the management of the Company and for filing with state regulatory officials and is not intended for any other purpose.



Michael J. Cellini, ASA, FCA, MAAA
Associate, Society of Actuaries
Fellow, Conference of Consulting Actuaries
Member, American Academy of Actuaries
Ernst & Young, LLP
5 Times Square
New York, New York 10036-6530
(212) 773-0873



November 27, 2007

Mr. Michael Cellini, ASA, MAAA
Ernst & Young LLP
5 Times Square
New York, NY 10036

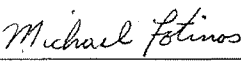
I, Michael Fotinos, Finance Director for Premier Behavioral Systems of Tennessee, LLC ("the Company"), hereby affirm that the listings and summaries of claims, exposures and other relevant data as of September 30, 2007, prepared for and submitted to Michael Cellini, all of which are detailed in the attached schedule, were prepared under my direction and, to the best of my knowledge and belief, are accurate and complete, and are the same as or derived from the in force records and other data which form the basis for the Company's 2007 Third Quarter Filing. I further affirm that the line of business classifications, claim incurrual dates, claim payment dates, development intervals, reinsurance data and premium rate information contained in such listings, summaries, and related data are, to the best of my knowledge and belief, accurately stated. I further affirm that the Underwriting and Investment Exhibit of the Quarterly Statement was prepared consistent with the claim incurrual and claim payment dates of the data provided to support determination of the liability for unpaid claims. I further affirm that the listings, summaries, line of business classifications, to the best of my knowledge and belief, are compiled on a basis consistent with comparable data at September 30, 2006.

Policy reserves, the liability for unpaid claims, and unearned premiums are net of reinsurance ceded amounts. All such reinsurance recoverable amounts are collectible at September 30, 2007. I am unaware of any material adverse change in the financial condition of the Company's reinsurers that might raise concern about their ability to honor their reinsurance commitments. The reinsurance contracts provided to you by the Company represent the Company's complete agreements with its ceding and assuming companies, and there are no modifications, either written or oral, of the terms of the Company's reinsurance contracts or additional reinsurance agreements that have not been provided to you.

I further affirm that, to the best of my knowledge and belief, the Company has no obligations or commitments at September 30, 2007 with respect to which actuarial reserves are required or appropriate, except those for which reserves and liabilities are included in the following exhibits and line items on page 3 of the Company's 2007 Third Quarter Filing:

Claims unpaid

\$9,097,616


Michael D. Fotinos
Finance Director

Finance Department

6950 Columbia Gateway Drive
Columbia, Maryland 21046

410/953-1000 tel
410/953-5205 fax
www.MagellanHealth.com

**Premier IBNR Analysis
as of 9/30/2007**

<u>Lag/Issue</u>	<u>G/L Balance</u>	<u>IBNR per lags</u>	<u>Difference</u>
Outpatient		410,409	
Inpatient			
Private & Residential		3,742,666	
		3,742,666	
Supported Housing		234,479	
IOP		105,818	
Partial		4,081	
Transportation		191,986	
In-Home		288,627	
	4,978,066	4,978,066	-

GL vs Projection Analysis

	GL	Projection	Margin
647-21000 Liability - FFS Claims	4,978,066	4,978,066	-
647-21982 FFS PAD	398,245	398,245	-
647-21400 CMHC Lookback	2,617,712	2,617,712	-
647-21605 Transportation CSA	24,544	24,544	-
647-21005 Claims Cutoff	959,376	959,376	-
Subtotal	8,977,943	8,977,943	-
647-21805 Reinvestment Reserve	119,673	119,673	-
Total	9,097,616	9,097,616	-

Premier Behavioral Systems
Reconciliation of Net Premium Income and Uncollected Premiums
A: September 30, 2007

		Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Total
Gross Revenue Paid		19,616,137.68	18,852,662.61	19,869,633.98	9,242,602.67	8,182,364.38	8,505,037.33	8,205,786.62	8,303,720.87	6,645,960.41	107,424,106.55
Change in Retro Revenue Accrual	1,2	(151,215.57)	576,379.96	(403,298.30)	(1,105,149.89)	(61,889.27)	(134,017.93)	(96,152.78)	(1,217,576.87)	544,625.59	(2,048,305.06)
Total Revenue		19,464,922.11	19,429,042.57	19,466,335.68	8,137,452.78	8,120,465.11	8,371,019.40	8,109,633.84	7,086,144.00	7,190,586.00	105,375,801.49
Retro Revenue Accrual											
Balance, December 31, 2006		3,059,195.36									
2007 Change in Balance		(2,048,305.06)									
Balance, September 30, 2007		1,010,890.30									
Uncollected Premiums											
September 2007 2.5% Withhold		214,449.01									
Retro Revenue Accrual	1,2	1,010,890.30									
Miscellaneous Difference		5,000.00									
Total		1,230,339.31									

1. Due to timing of priority status assessment being submitted to the State and entered into payments system, at the time of initial payment certain members who would qualify for payment at the higher priority rates are paid at the non priority rates. TBH records an accrual related to this misclassification.

2. Allowance for retroactive member additions. Comparison of remittance to eligibility

TennCare Partners Program
Reconciliation of IBNR per MLR to Quarterly Filing
September 30, 2007

	<u>PBS</u>	<u>TBH</u>	<u>East</u>
IBNR Per MLR Report	7,620,322	3,073,990	11,936,867
<u>Adjustments</u>			
Claims Cutoff (1)	959,376	600,695	1,347,140
FFS PAD (2)	398,245	218,179	692,989
Reinvestment Reserve	<u>119,673</u>	<u>425,613</u>	<u>-</u>
<i>Total Adjustments</i>	<i>1,477,294</i>	<i>1,244,487</i>	<i>2,040,129</i>
IBNR Per Monthly Filing	9,097,616	4,318,477	13,976,996

(1) Claims processed during month but not paid until October. Included as a component of paid claims on the MLR reports.

(2) Ernst & Young requiring a 8% PAD above point estimate for FFS IBNR. Is an allowance for adverse deviation. Not reflected in MLR reports.

TennCare Partners Program
Reconciliation of Medical Expense per MLR to Quarterly Filing
September 30, 2007

	<u>PBS</u>	<u>TBH</u>	<u>East</u>
Medical Expense Per MLR Report	81,545,097	29,720,137	92,644,165
<u>Adjustments</u>			
Adjustment to Prior Period IBNR (1)	1,022,461	(1,269,260)	(167,955)
FFS PAD (2)	<u>391,957</u>	<u>215,887</u>	<u>680,554</u>
<i>Total Adjustments</i>	<i>1,414,418</i>	<i>(1,053,373)</i>	<i>512,599</i>
Medical Expense Per Monthly Filing	82,959,515	28,666,764	93,156,764

(1) Adjustment to IBNR for 12/31/06 and prior dates of service. Ties to underwriting and investment exhibit.

(2) Portion pertaining to 2007 only.

TennCare Partners Program
Reconciliation of Revenue per MLR to Quarterly Filing
September 30, 2007

	<u>PBS</u>	<u>TBH</u>	<u>East</u>
Revenue Per MLR Report	105,126,569	41,953,522	104,505,837
<u>Adjustments</u>			
2006 retro membership (1)	<u>249,232</u>	<u>(38,736)</u>	<u>303,084</u>
<i>Total Adjustments</i>	<i>249,232</i>	<i>(38,736)</i>	<i>303,084</i>
Revenue Per Monthly Filing	105,375,801	41,914,786	104,808,921

(1) Change in 2006 revenue between December 2006 MLR report and September 2007 MLR report.

MIDDLE WEST REGION

[illegible]